

**A STUDY ON PERFORMANCE EVALUATION OF IPOs IN INDIAN STOCK MARKET WITH RESPECT TO NSE**

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**ABSTRACT**

*The capital market brings up economic growth by stimulating savings for capital formation and enhances productivity of investment by enhancing allocation of investible funds. IPOs in terms of first-day of listing in various markets across the world have been done, as can be seen from the review of literature, in the Indian context a comprehensive study on the various financial and non-financial factors affecting the under-pricing of Indian IPOs has not been done. One major source of business financing is through Initial Public Offerings (IPOs). Historically, IPOs received high initial first day gains compared to the market performance. The study was undertaken to analyze the financial performance of IPO companies.*

**KEYWORDS:** *IPO, listing gain, current market price gain, over-subscription, over-price underprice.*

**INTRODUCTION:** Initial Public Offering refers to the fresh offer of shares from a business that was previously unlisted. To do this, shares that the promoters or private investors owned previous to the IPO are made available to the general public.

The first public offering of stock by a corporation is known as an IPO. A business can raise capital by issuing debt or stock. An IPO is referred to as such if the firm has never sold shares to the general public. In this research, it is to study and analyse the performance of IPO's debuted during the financial year 2020-2021 which in times of pandemic, and measure their performance by comparing with past year.

The primary market, including IPOs, began to emerge as one of the key sources of funding for Indian firms as well as an essential method for ordinary investors to deploy their assets for greater return.

**OBJECTIVES OF THE STUDY**

- To study about the performance of IPOs from issue price to last trading price.
- To study the percentage change of IPOs from issue price to last trading price.
- To find out factors if they influence the under-pricing of IPOs.

**LIMITATIONS OF THE STUDY:**

- Only companies that are listed on the NSE are included in the study, although data for some of them isn't available.
- Because some corporations have been delisted, they are not conducting their analysis.

**REVIEW OF LITERATURE:**

**1. A Comparative Study on the Performance of Initial Public Offerings IPOs in Indian Stock Market during pre-coved and post coved period (Dr Banes war Kaposi) 2022**

Assessed how well the IPOs registered on the Indian stock exchange will do in 2022. To determine if the chosen IPOs are performing well or not, the prices of all the selected IPOs were monitored for two months. Following that, the average run-on daily basis, 15 days, 30 days, and 60 days were all examined. According to the study, while some IPOs did well on the day of listing, the majority of them were overvalued, which led to dismal performance after 60 days. Based on the research, the author recommended that, in order to maximise returns, investors should pay close attention to a company's fundamentals and thoroughly research its history and past financial performance before making an investment.

**2. Initial Public Offerings' After-Market Pricing Performance IPO (Shoo and Praline) 2010**

The performance of 92 IPOs is examined in the research paper. According to the analysts, initial public offerings in India are often under-priced by 46.55% on average. Comparison of the listing day performance with the market index was used to identify the level of under-pricing.

**3. The pricing of IPOs on the NSE is examined in "Determinants of IPO Under-pricing in the National Stock Exchange of India. (Amok Paned and R. Vaidyanathan) 2007**

The researchers attempt to understand empirically the first day under-pricing of initial public offerings in light of the demand that the IPO has generated among investors, the delay in listing the shares on the stock exchange, and the money that the company spends on marketing the initial public offering. The researchers are also attempting to determine whether there are any new patterns in the Indian IPO market. Additionally, the analysis looks for a month in the post-IPO returns.

**4. An investigation into the effectiveness of first public offerings (JEELAN BASHA, V BHADRAPPA HARALAYYA) 2021**

Initial Public Offerings (IPOs) are one of the most common methods used by expanding businesses to raise capital. Many IPOs are under-priced, which is a typical occurrence. These studies try to identify the variables that affect the under-pricing choice. Financial factors like ownership retention, issue size, firm age, debt-to-equity ratio, and NAV as well as non-financial elements like underwriter reputation and venture capital investment were found to have an impact. Investments in IPO in the Indian capital market (Madam, A. 2003)

**5. DETERMINANTS OF IPO INITIAL RETURN: EXTREME ANALYSIS OF INDIAN MARKET (Banal & Hanna) 2012**

The magnitudes of underpricing levels of IPOs priced through the book build compared to IPOs priced through the fixed price option is analysed and found to differ significantly, with IPOs priced through the book build being more underpriced than IPOs priced through the fixed price option.

**6. IMPACTS OF COVID-19 ON PERFORMANCE OF IPO in INDIA (Sahel Goal) 2021**

This study looks into how the COVID-19 pandemic affected newly listed businesses' daily market returns between January 1 and October 31, 2020, in order to provide insight into how the disease affected the IPO market. Through this study, we learned that IPO performance flourished in spite of the epidemic. The following queries are addressed in this study: What effect will the COVID-19 outbreak have on the yield of India's IPOs from 30 January 2020 to 30 October 2022?

**7. Short-term IPO Performance Amidst Fear of COVID-19 Pandemic: Evidence from India (MADHU MAHESHWARI AND ANIL KUMAR) 2022**

This paper examines the short-term performance of public issues that made their debut on the Indian stock exchanges at the time of the COVID-19 outbreak. The initial public offerings (IPOs) made in the Indian capital market before and after COVID are compared using a sample of 158 listings across nine years, from 2013 to 2021, on the main board segment of the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE)

**8. A STUDY ON PERFORMANCE OF IPOs IN INDIA FOR THE PERIOD 2018-2021 (Dr Anal Nathan) 2022**

The performance of IPOs which has fixed price falling on day of listing as well as their post-listing aftermarket performance in the Indian stock market is all examined in this study. In this study, the short- and long-term performance of initial public offers (IPOs) on the Indian capital market is examined. The sample is made up of 146 initial public offerings (IPOs) that were placed on the National Stock Exchange board between 2007 and 2008.

**9. IPO Stock Performance amidst the COVID-19 Pandemic: Has it been Undervalued? (Randy Kuswant) 2021**

Examined the effect of pandemic-related fear on IPO stocks listed on the NYSE, NASDAQ, and AMEX and are ADRs. They discovered that while the initial return average was higher than it had been for the previous 40 years, it drops off as pandemic anxiety grows.

**10. HOT AND COLD IPO MARKETS EVIDENCE FROM INDIA (S Singh and S Dander) 2021**

The studies reveal factors like market position (hot/cold market), types of industry, the nature of business etc. as a major influencer for the occurrence of hot and cold market periods. However, India is a developing economy and has its own inherited characteristic variants i.e., the concrete role of promoter's contribution and compulsory allotment to be qualified institutional investors. The study overviews the inherited inefficiencies and fluctuations in the Indian Initial Public Offering (IPO) by observing the hot and cold market periods

**11. The greater the investor attention, the better the post-IPO performance? A view of pre-IPO and post-IPO covered attention (Nan Wang) 2022**

Indicates the emotional and irrational investor behaviour is the main cause of post-IPO underperformance. The short-term post-IPO performance and market timing are negatively connected. The impact is non-linear and grows over time as post-IPO investor interest rises.

**12. IPOs in Indian Stock Market: Analysing Pricing and Performance of IPO Listed in 2021 (S. Raja Mohan) 2021**

How a developing country like India, having a booming corporate network, is focused on listing IPOs. IPOs are the extensively adopted method by companies to raise funds from the open market for a private company's initial sale of shares. This paper studies on the present literature on Indian capital markets is constricted to regression models with smaller data sets, limited variables, and more focused on long-term capital gains.

**13. DETERMINANTS OF IPO UNDER PRICING IN THE NATIONAL STOCK EXCHANGE OF INDIA. (ALOK PANDE, IIM BANGALORE) 2007**

It attempts to provide a rational justification for the first day under-pricing that takes into account the demand generated during the issue's book building, the time that passed between the book building's closing and the issue's first day listing, and the cost incurred on promoting the IPO by the firms. Using the findings of the earlier studies as a guide, it also aims to comprehend any new trends in the Indian IPO market. Also sought after are the one-month post-IPO returns in the NSE

**14. A Study on Performance of Initial Public Offering (IPO) in Indian capital market during the pandemic. (Ajay R sept) 2022**

The study's primary focus is on how initial public offerings performed in the Indian capital market during the pandemic, using the measures of retail subscription, total subscription, and listing day return. The Initial Public Offerings (IPOs) that were launched and listed in the financial year 20-21 were taken into account. The average (mean) listing day returns for the year stood at 37.08%, which was higher when compared to past yearly Initial Public Offering returns.

**15. INITIAL PUBLIC OFFERING AND ITS TREND IN INDIA (JAIN, SIDDARTH ) May 2022**

This study examines the rising trend of initial public offerings (IPOs) in India beginning in 2021, the reasons behind the timing of these IPOs in the wake of the pandemic, and the factors investors should consider before investing in IPO markets. The literature review focuses on four papers that discuss four distinct IPO-related topics, such as under-pricing/overpricing, the process used to determine the IPO price, investors' sentiments when investing in IPOs, etc. It aims to build familiarity with and understanding of current research in a much simpler manner. Barbeque Nation, Nykaa, Pat, and Adana Willmar are the other four IPOs that have been examined in the paper.

**16. Investors Sentiments towards Initial Public Offer in the Pandemic (Sharia. K) 2021**

The survey is anticipated to show that investors in the 20- to 30-year-old age bracket, known as millennial, are substantially to blame for the market activity brought on by fresh issues and alluring premium on offers. The goal of the study and the proper statistical methods for data processing and interpretation

**17. Performance of Academic Staff during COVID-19 Pandemic-Induced Work Transformation an IPO Model for Stress Management Muhammad (Shoaib Ayesha Nawaz FEB) 2022**

The research paper revealed that task- and relation-oriented leadership behaviour, e-training, and employment security positively influence stress management and employee performance in virtual organizations. By suggesting leadership behaviour, e-training, and employment security as inputs in the stress management process to attain the performance output of teaching staff, it gives insightful contributions to the literature.

**18. INITIAL PUBLIC OFFERINGS (IPO): AN INVESTOR HORIZON METHOD TO ANALYZE IPO VALUATION PROCESS LISTED IN NATIONAL STOCK EXCHANGE NSE (ABILASH K M) 2022**

To explore the process of initial public offerings using simple share valuation process during pandemic situation in National Stock exchange (NSE) through Book building process Researcher has taken 65 IPO With share appreciation, firm age, and issue size as primary variables for the study, which covered listed companies on the NSE between 2020 and 2021, it is clear from the data that the metric of business age and issue size will raise the share value among investors and favourably accelerate the value of initial public offerings (IPOs).

**19. Valuation of IPOs in India-An Empirical study (Mohammad Reza Lotfalipour) June 2013**

Using a panel data approach, this study investigates how changes in the exchange rate and investments in the manufacturing sector in Iran from 1995 to 2009 relate to one another. So, the effect of actual exchange rate variations on industrial investment is examined using the annual data of manufacturing sectors. As a major factor in the development process and economic policies evaluation, investment and its growth rate it is found a negative and statistically significant impact of real exchange rate movements on manufacturing investment

**20. A RESEARCH STUDY ON FACTORS IMPACTING IPOs LISTING GAINS (Khatri Namrata) 2017**

The advice of brokers, the company's philosophy regarding where they see it going in the future, projections of future growth, and news regarding the company's financial performance and IPO all have an impact on investors' decisions to invest in initial public offerings. Mohammed Arshad Khan, Khudsiya Zeeshan, and colleagues (2021) find that investing in initial public offerings (IPOs) pays out better when held over a lengthy period of time compared to selling the allotted shares on the day of listing.

**21. Pre IPO and Post Ipo Operating Performance Evaluation on Indian Select Companies (Ahmad Khan ) 2017**

This study looks into whether operating performance of companies changes after an IPO and how pre-IPO characteristics affect post-IPO operating performance. 25 firms listed between 2013 and 2015 on the BSE and NSE of the Indian stock exchanges are included in the study. Pre-IPO factors include dilution of ownership, profitability, and operating performance metrics like return on equity and net worth. The results showed that the companies' returns on assets, returns on net worth/equity, and asset turnover ratios did not significantly alter following their initial public offerings. Profitability prior to the initial public offering (IPO) had an effect on return on assets and return on equity, but not on asset turnover ratio.

**22. Pre IPO and Post IPO Operating Performance Evaluation of IPO (Krishnamurthy C) 2022**

On the basis of two performance indicators (i) over-subscription ratio and (ii) listing day gains, the current study evaluates 107 initial public offerings (IPOs) that were launched on the Indian stock market between June 2017 and June 2022. This study compares the IPO performance for two time periods: January 2017–April 2020 and May 2020 –June 2022. The study's findings indicate that the performance of initial public offerings (IPOs) launched between January 2017 and April 2020 significantly differs from that of initial public offerings launched between May 2020 and June 2022. Additionally, it was looked at how the quantity of IPOs and the money collected via them varied greatly between the two periods.

**23. Publishing Company Operating Performance Evaluation Before and After the IPO (Rong Yang) 2015**

The three publishing companies listed in this paper's announcement of information Central South Media (601098), Publishing Media (601999), and Phoenix Media (601928) are used to study the aforementioned issue using enterprise economic value-added rate and performance evaluation methods in the financial sector. The management still takes some measures that are detrimental to stockholder interests and the economic value-added rate of publicly traded publishing company's needs to be further increased, according to a study on the operation and financial information of publishing organisations.

**24. Initial Public Offerings and Performance Evaluation: Evidence from the Indian Capital Market (Appala Raju Middi ) 2018**

This study aims to establish that Indian initial public offerings are under-priced (IPOs). Using a sample size of 25 IPOs released in 2015, we analyse the aftermarket performance for up to 12 months. At the conclusion of the first trading day, the sample displays a 3% raw initial return. The average outcomes are 6%, 17%, and 26%, respectively, when calculated in terms of market-adjusted initial returns for 30 days, 3 months, and 12 months, demonstrating an outperformance of IPOs.

**25. The Post-Issue Operating Performance of Indian IPO Firms (Shikha Bhatia Dr Balwinder Singh) 2017**

This study looks at how 300 Indian IPO enterprises' operating performance changed three years after their initial public offering (IPO) compared to how it was before. It also investigates if under-pricing at the time of issuance is a way for issuing enterprises to communicate their worth, as well as whether operating performance over the long term is indicative of stock price performance.

**RESEARCH METHODOLOGY**

**STUDY TYPE:** Research design used for this study is Descriptive Research because it is predicated on secondary data.

**PERIOD OF THE STUDY:** The period considered in this study is from 2018 to 2022. The study is conducted by taking the data of the various IPOs.

**SOURCE OF DATA:** The source of secondary data was collected from various published sources like text books, journals, articles

**TOOLS AND TECHNIQUES:** Percentages, ratios and Standard deviation and Descriptive analysis.

**DATA ANALYSIS AND INTERPRETATION**

YEAR	NUMBER	UNDER PRICING	OVER PRICING
2018	17	8	9
2019	13	8	5
2020	13	9	4
2021	63	45	18
2022	16	11	5
<b>TOTAL</b>	122	81	41

**INFERENCE ANALYSIS 1**

Hypothesis

H0: There is no significant difference between Performance of IPO from Issue price to last day trading price.

H1: There is a significant difference between Performance of IPO from Issue price to last day trading price.

$$\text{LISTING GAIN} = \frac{\text{LISTING CLOSE} - \text{ISSUE PRICE}}{\text{ISSUE PRICE}} * 100$$

ISSUE DETAILS			PRICE				
COMPANY	ISSUE SIZE (CR)	ISSUE PRICE	LISTING OPEN	LISTING CLOSE	LISTING GAIN %	CMP	CURRENT GAIN %
XELPMOCDESIGN	23	66	56	58.8	-10.91	170.95	159.02
CHALETHOTELS	1628.84	280	291	290.4	3.71	323.35	15.48



**Inferential Analysis 3**

Statistical tool used is: **ONE WAY ANOVA**

Variable 1: Under-pricing

Variable 2: Overpricing

H0: There is no significant difference between under-pricing and over pricing of IPO

H1: There is a significant difference between under-pricing and over pricing of IPO

ANOVA: Single Factor						
SUMMARY						
<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>		
UNDER PRICING	5	81	16.2	260.7		
OVER PRICING	5	41	8.2	33.7		
ANOVA						
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	160	1	160	1.08696	0.32763	5.31766
Within Groups	1177.6	8	147.2			
Total	1337.6	9				

**INTERPRETATION**

Since the P value is 0.32 which is greater than 0.05 Hence H0 is accepted at 5% level of significance, hence we can conclude that there is no significant difference between the under-pricing of IPO and over pricing of IPO

**FINDINGS:**

- The huge over-subscription in most of the IPOs frequently leads to retail investors getting allotted only few shares.
- The companies with listing gains also saw increases in their stock prices. It was found that IPOs are overpriced an average of 27.2 percent whereas 72.8 percent are under-priced before and during Covid-19.
- Also found that all overpriced IPO are also having current market gain.
- All the huge over-subscribed stocks have listing and current gain.
- When the issue price and the most recent transaction price are compared, the majority of investors consistently choose to buy at a lower price. It is taken into account how well the offering has performed overall and in terms of pricing.

**CONCLUSIONS:**

The study is made to present the performance of IPOs before and during of January 2018 to June 2022. Under-pricing and overpricing are common phenomena in IPO. There is an extent of over subscription of an IPO, which will determine the First Day Gains. The oversubscribing causes the IPOs to make higher first day profits. Finding out whether the stocks are overvalued or underpriced is made possible by the analysis. The practice of “book building” is a very popular method for determining IPO pricing. The research enables determining whether the stocks are overvalued or underpriced. A very well-liked technique for figuring out IPO pricing is the practice of "book building." The massive IPO over-subscription produces price increases on both the listing day and the current market.

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